ORSAK LANGNER & BARTHEL PLLC
CERTIFIED PUBLIC ACCOUNTANTS

# SHARPEN RECOVERY

## FINANCIAL STATEMENTS

***December 31, 2023***

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# SHARPEN RECOVERY

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ORSAK LANGNER & BARTHEL PLLC
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# INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors

Sharpen Recovery

Houston, Texas

***Opinion***

We have audited the accompanying financial statements of Sharpen Recovery (a non-profit organization) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sharpen Recovery as December 31, 2023, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sharpen Recovery and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate that raise substantial doubt about Sharpen Recovery's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from immaterial misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sharpen Recovery's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sharpen Recovery's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Orsak Langner & Barthel PLLC

**Orsak Langner & Barthel PLLC**
Houston, Texas

May 15, 2024

# SHARPEN RECOVERY

## STATEMENTS OF FINANCIAL POSITION
*December 31, 2023*

| | | |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ | 245,800 |
| Prepaid expenses | | 58,566 |
| Total current assets | | 304,366 |
| **Property and equipment** | | 112,041 |
| **Security deposits** | | 20,970 |
| **Total assets** | $ | 437,377 |
| **LIABILITIES AND NET ASSETS** | | |
| **Current liabilities:** | | |
| Accounts payable and accrued expenses | $ | 1,332 |
| Total current liabilities | | 1,332 |
| Total liabilities | | 1,332 |
| **Net assets** | | |
| Without donor restrictions | | 436,045 |
| With donor restrictions | | |
| Restrictions that expire with designated expenditures | | - |
| Total net assets | | 436,045 |
| **Total liabilities and net assets** | $ | 437,377 |

*The accompanying notes are an integral part of these financial statements.*

# SHARPEN RECOVERY

## STATEMENT OF ACTIVITIES
*for the year ended December 31, 2023*

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| **Public Support and Revenues:** | | | |
| Public support: | | | |
| Donations: | | | |
| Donations | $ 266,120 | $ - | $ 266,120 |
| Grants | 414,750 | - | 414,750 |
| Total donations | 680,870 | - | 680,870 |
| Total public support | 680,870 | - | 680,870 |
| Revenues | | | |
| Fees: | | | |
| Program fees | 495,685 | - | 495,685 |
| Total fees | 495,685 | - | 495,685 |
| Investment income: | | | |
| Interest and dividends | 10 | - | 10 |
| Total investment income | 10 | - | 10 |
| Total revenues | 495,695 | - | 495,695 |
| **Total public support and revenues** | 1,176,565 | - | 1,176,565 |
| **Expenses:** | | | |
| Program | 886,386 | - | 886,386 |
| Management and general | 95,356 | - | 95,356 |
| Fundraising | 53,164 | - | 53,164 |
| Amount released from restriction | - | - | - |
| Total expenses | 1,034,906 | - | 1,034,906 |
| **Increase in net assets** | 141,659 | - | 141,659 |
| **Net assets, beginning of year** | 294,386 | - | 294,386 |
| **Net assets, end of year** | $ 436,045 | $ - | $ 436,045 |

*The accompanying notes are an integral part of these financial statements.*

# SHARPEN RECOVERY

## STATEMENT OF FUNCTIONAL EXPENSES
*for the year ended December 31, 2023*

| | Program services | Management and general | Fund raising | Total |
|---|---|---|---|---|
| Accounting and legal fees | $ - | $ 15,062 | $ - | $ 15,062 |
| Advertising and marketing | 8,514 | - | 1,502 | 10,016 |
| Awards and grants to others | 4,588 | - | - | 4,588 |
| Depreciation | 17,474 | - | - | 17,474 |
| Insurance | 26,191 | 1,039 | 1,019 | 28,249 |
| Meals | 15,818 | 2,293 | - | 18,111 |
| Office and room rentals | 13,087 | 4,363 | - | 17,450 |
| Office supplies | 1,925 | 1,926 | - | 3,851 |
| Payroll taxes | 12,150 | 2,942 | 2,686 | 17,778 |
| Recovery home expense | 64,915 | - | - | 64,915 |
| Recovery home rental | 350,022 | - | - | 350,022 |
| Salaries and wages | 210,730 | 51,023 | 46,601 | 308,354 |
| Software | 23,055 | 2,712 | 1,356 | 27,123 |
| Transportation | 22,720 | 1,196 | - | 23,916 |
| Utilities | 115,197 | 12,800 | - | 127,997 |
| **Total Functional Expenses** | $ 886,386 | $ 95,356 | $ 53,164 | $ 1,034,906 |

*The accompanying notes are an integral part of these financial statements.*

# SHARPEN RECOVERY

## STATEMENT OF CASH FLOWS
*for the year ended December 31, 2023*

| | | |
|---|---|---|
| **Cash flow from operating activities:** | | |
| Increase (decrease) in Net Assets | $ | 141,659 |
| Adjustments to reconcile net income to cash from operating activities: | | |
| Depreciation | | 17,474 |
| Non-cash contributions of furnishings | | (40,600) |
| Decrease in: | | |
| Prepaid expenses | | (49,560) |
| Increase in: | | |
| Accounts payable and accrued expenses | | 1,332 |
| **Net cash provided by operating activities** | | 70,305 |
| **Cash flow from investing activities:** | | |
| Payment of security deposits | | (11,070) |
| **Net cash provided by investing activities** | | (11,070) |
| **Net increase in cash and cash equivalents** | | 59,235 |
| Cash and cash equivalents, beginning of year | | 186,565 |
| **Cash and cash equivalents, end of year** | $ | 245,800 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for interest | $ | - |
| Cash paid for income taxes | $ | - |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| Contributions of furnishings | $ | 40,600 |

*The accompanying notes are an integral part of these financial statements.*

# SHARPEN RECOVERY

## NOTES TO FINANCIAL STATEMENTS
*December 31, 2023*

### NOTE 1 - ORGANIZATION

Sharpen Recovery (the "Organization") is a nonprofit 501(c)(3) corporation organized in 2016 under the laws of the State of Texas. The Organization's mission is to provide affordable quality substance abuse recovery homes for men and women with substance abuse issues seeking support to stay sober.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The financial statements and accompanying notes are representations of the Organization's management. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the financial statements.

**Basis of Accounting and Financial Statement Presentation -** The accompanying financial statements of the Organization are maintained on the accrual basis of accounting. Funds with donor restrictions have been established to account for those resources available for use, but expendable only for the specific purpose or time frame specified by the donor. Funds with donor restrictions expended during the current year are released from restriction and are reflected in the expenditures without donor restrictions.

**Use of Estimates -** Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates.

**Cash and Cash Equivalents -** Cash and cash equivalents are liquid investments with original maturities at the date of purchase of three months or less and consist primarily of cash and money market funds. The carrying amounts of cash and cash equivalents are reported in the statements of financial position at the original amounts, which approximates fair value because of the short-term maturities of these assets.

**Fixed Assets -** Fixed assets consist of building and equipment owned by the Organization. Fixed assets are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the asset.

Normal repairs and maintenance are expensed as incurred whereas significant improvements, which materially increase values or extend useful lives, are capitalized and depreciated over the remaining estimated useful lives of the related assets.

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation or amortization are removed from the accounts. Any gain or loss from the sale or retirement is recognized in current operations.

**Impairment of Long-Lived Assets -** The carrying values of long-lived assets, which include fixed assets, are evaluated periodically for impairment. Impairment losses are recognized when indicators of impairment are present and discounted cash flows estimated to be generated by the Organization's long-lived assets are less than the carrying amount of such assets. The amount of impairment loss, if any, is determined by comparing the amount of the Organization's long-lived assets to its estimated fair value. No impairment losses have been recognized for the year ended December 31, 2023.

**Net Assets** – Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

***Net Assets Without Donor Restrictions*** – Net assets available for use in general operations and not subject to donor restrictions. Board designated net assets is a component of net assets without donor restrictions.

***Net Assets With Donor Restrictions*** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investment for general or specific purposes.

As of December 31, 2023, the Organization had no net assets with donor restrictions.

**Contributions** - Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Contributed Services** - No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization received $40,600 in non-cash contributions of home furnishings in the year ended December 31, 2023.

**Expenses** - Expenses are recognized by the Organization during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

**Advertising Costs** – The Organization expenses advertising costs as incurred. For the year ended December 31, 2023, the Organization had advertising costs of $10,016.

**Compensated Absences** – The Organization allows full-time employees to receive compensation for vacation and sick leave as the workload allows. Compensated absences for vacation and sick pay have not been accrued since they cannot be reasonably estimated but are expensed as incurred.

**Income Taxes** - The Organization has received a tax determination letter from the Internal Revenue Service and is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and did not conduct unrelated business activities. The Organization is also exempt from the Texas franchise tax, commonly referred to as the Texas margin tax. Therefore, no provision has been made for federal income or state franchise taxes in the accompanying financial statements.

## NOTE 3 – PROPERTY AND EQUIPMENT

Major classes of property and equipment, together with their estimated useful lives, consist of the following at December 31, 2023:

| | | |
|---|---|---|
| Home furnishings | 7 years | $ 145,945 |
| Less: accumulated depreciation | | 33,904 |
| | | $ 112,041 |

Depreciation expense amounted to $17,474 for the year ended December 31, 2023.

## NOTE 4 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash accounts in several financial institutions located in Houston, Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2023, the FDIC insured deposits up to $250,000 in interest bearing accounts. However, the amount of cash and cash equivalents at these institutions may, from time to time, exceed the federally insured limits. The Organization has not experienced any losses on deposits and believes the risk of loss is minimal.

## NOTE 5 – CONTINGENCIES AND UNCERTAINTIES LIABILITIES

The Organization operates in an area subject to severe weather conditions at times. This could cause the Organization to have to cease operations for a period of time should such weather conditions arise. The Organization's management believes the results of a temporary closure due to severe weather would not have a material effect on the financial position or results of operations.

Management of the Sharpen Recovery is not aware of any potential or threatened litigation that may affect the operations of the Organization.

## NOTE 6 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date of the report of the independent certified public accountants, which is the date the financial statements were available to be issued and has concluded that no such events or transactions took place which require disclosure herein.